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8 September 1955

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

ADENAUER'S VISIT TO MOSCOW Page 1

West Germans expect that Chancellor Adenauer's visit to Moscow will have few tangible results other than the release of some Germans who have been held in Soviet custody since World War II. [REDACTED]

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THE CYPRUS ISSUE Page 1

Failure of the London conference to find agreement on the Cyprus question has resulted in severe tension between Greece and Turkey. The violent outbreaks in Turkey may be followed by new riots in Cyprus. Defense co-operation in the eastern Mediterranean will suffer. [REDACTED]

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FRENCH NORTH AFRICA Page 3

French and Moroccan representatives have gone to Madagascar to consult deposed sultan Mohamed Ben Youssef, whose agreement is deemed essential to easing the crisis in Morocco. In both Morocco and Algeria, new outbreaks of violence are probable. [REDACTED]

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EGYPTIAN-ISRAELI SITUATION Page 3

The Egyptian-Israeli situation has improved since each country agreed on 4 September to UN Truce Supervisor Burns' cease-fire proposal. Both countries are continuing to build up border reinforcements on a reduced scale but are trying to control border troops and to avoid any incident. [REDACTED]

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PART II

NOTES AND COMMENTS

American-Chinese Talks: The Chinese Communist announcement on 6 September that 12 Americans in China are or soon will be free to leave apparently was aimed at persuading the United States to drop its insistence on a deadline for the release of other detained Americans.

[REDACTED] Page 1 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 September 1955**

USSR Noncommittal on President's Blueprint Proposal: Soviet delegate Sobolev has refrained from substantive comment on President Eisenhower's "blueprint" proposal, but has continued to remind the UN subcommittee on disarmament and the press that the USSR considers the proposal "important" and is studying it carefully. [REDACTED] Page 1 25X1

Admission of New Members to the UN: Increased lobbying by Asian applicants for UN membership as well as the cautiously optimistic statements of UN members has increased speculation that the five-year deadlock on admitting new members to the UN may be broken this fall. [REDACTED] Page 2 25X1

Yugoslav-Soviet Relations: The Yugoslav-Soviet agreements announced this week are the most concrete steps yet taken in the improvement of relations between Belgrade and Moscow. The agreements call for Soviet credits and a marked expansion in trade, Soviet delivery of nuclear equipment, and the opening of a joint Belgrade-Moscow direct air service. [REDACTED] Page 3 25X1

Military Significance of Satellite Troop Reductions: The announcements by five of the European Satellites that they intend to reduce their armed forces are designed to give substance to the USSR's disarmament campaign. Over-all Communist military capability is not likely to be materially impaired, although the military effectiveness of some of the Satellite countries may be lowered. [REDACTED] . . . Page 4 25X1

Peiping to Grant Sinkiang and Tibet "Autonomy": Peiping has announced that its remote northwestern province of Sinkiang will be established as an "autonomous region" this month. Peiping has also reported that Tibet is being readied for "autonomy," but Chinese plans there apparently look to a further period of preparation and consolidation. [REDACTED] Page 5 25X1

Crop Prospects in Communist China: As a result of favorable weather conditions this past summer, prospects are that Peiping will attain its 1955 food production target of an increase of 6.4 percent over 1954. Communist China's long-range agricultural prospects, however, continue poor. There will probably be no significant increase in per capita food consumption over the next decade. [REDACTED] Page 6 25X1

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THE WEEK IN BRIEF

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Cambodia: Prince Sihanouk's political movement will probably win Cambodia's parliamentary elections on 11 September, and parliament can then be expected to pass the prince's drastic anti-democratic reforms. The consequent resurgence of royal absolutism may result in long-term political and social frictions. [redacted] Page 7 25X1

Afghan-Pakistani Dispute Settled: Pakistan and Afghanistan are reported to have settled their five-month-old quarrel on terms indicating a return to the situation existing before the 30 March incidents which began the dispute. The Pushtoonistan issue which is at the base of the whole quarrel remains unresolved, however, and will continue to make establishment of permanent friendly relations between the two countries difficult. [redacted] 25X1
[redacted] 25X1
[redacted] Page 8

The Labor Situation in Chile: Relative calm prevails in Chile following the suspension on 3 September of strikes involving some 50,000 government employees and of a general strike call for 5 September. Labor unrest may be expected to continue, however, so long as inflation remains uncontrolled. [redacted] Page 9 25X1

PART III**PATTERNS AND PERSPECTIVES****MOSCOW'S EUROPEAN POLICY ON EVE OF ADENAUER VISIT** Page 1

The foremost objective of Soviet foreign policy since Geneva has been to create conditions under which the status quo in Europe can be stabilized and maintained indefinitely. The main tactic in Moscow's diplomacy is to convince the non-Communist world that the threat of Soviet military aggression has evaporated. This would deprive the Western alliance of its most powerful unifying and motivating force and encourage divergent interests and policies within the alliance. [redacted] 25X1

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THE WEEK IN BRIEF

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 September 1955****THE SOVIET STAKE IN EAST GERMANY Page 4**

Since the Communists realize they will probably not be able to dominate a united Germany, the USSR is likely to continue to hold on to East Germany. Not only is East Germany a valuable military and economic asset, but Soviet spokesmen have indicated repeatedly that Moscow believes the continued division of Germany is the surest guarantee against the rise of a military threat to the Soviet bloc based on German manpower, industry and energy. [REDACTED]

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NENNI SOCIALISTS IMPROVING POSITION IN ITALY Page 7

The steady gains in power and prestige of Pietro Nenni's Italian Socialist Party are arousing increasing speculation among leading Italians as to the possibility of an eventual genuine split between Nenni and the Communists. Communist leaders, aware that their own party is in a period of relative decline, seem somewhat uneasy over the prospect that they may lose control of their old Socialist allies. Leading Christian Democrats are weighing the attractions of a working alliance with Nenni which would permit a Christian Democratic government to control parliament with the support of the Socialists. [REDACTED]

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THE WEEK IN BRIEF

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 September 1955****PART I****OF IMMEDIATE INTEREST****ADENAUER'S VISIT TO MOSCOW**

West Germans expect that Chancellor Adenauer's visit to Moscow will have few tangible results other than the release of some German citizens who have been held in Soviet custody since World War II. (For a detailed discussion, see Part III, p.1.)

West German expectations about the gains which Adenauer might attain during the visit have been modified considerably since the Geneva conference. Soviet firmness in opposing German reunification at Geneva has disillusioned many West Germans as to the possibility of real progress on this subject in the near future. According to German officials, Chancellor Adenauer anticipates that the conference will only define the issues between the two governments and consider some principles for their eventual solution, with specific agreement to be reached possibly in the case of detained German citizens.

Many Bonn politicians believe that Moscow's willingness to recognize the Federal Republic is merely a device to gain eventual recognition of the East German government by non-Soviet bloc countries--a devel-

opment which would formalize the division of the nation.

To avoid jeopardizing German unification, Bonn government spokesmen have indicated that an exchange of representatives will not occur unless Moscow gives some assurance on unity, accepts Bonn's policy of nonrecognition of East Germany and the postwar German boundaries, and consents to release German citizens. Should sufficient progress occur during the meeting, Adenauer may consent to exchange diplomatic representatives immediately.

Most West German observers expect the Soviet Union to free many of the estimated 17,000 German prisoners of war. The chancellor has referred in public statements, however, only to "Germans," a term which would also apply to an estimated 115,000 civilian internees who, according to the German Red Cross, are still believed to be in the Soviet Union.

If Adenauer returns from Moscow without a concrete understanding with the Soviet Union on reunification, this would not be accounted a great personal failure in West Germany, since most West Germans continue to believe that reunification cannot be realized now.

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THE CYPRUS ISSUE

Failure of the London conference to find agreement on the Cyprus question has resulted in severe tension between Greece

and Turkey. Co-operation on defense planning in the eastern Mediterranean will probably suffer, and for the first time

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violence on Cyprus is likely to be directed against the Turkish minority as well as the British colonial government.

The conference of Britain, Greece and Turkey was "suspended" indefinitely on 7 September after British foreign secretary Macmillan offered Cyprus limited self-government, together with the creation of a tripartite committee to examine details of the proposed new constitution for Cyprus.

The Greek reaction to the proposal was noncommittal, but Athens will almost certainly reject it because of the omission of any assurance regarding self-determination for the island's predominantly Greek population.

Turkey's immediate reaction was "very negative." Ankara, however, will probably accept on condition that the self-government proposal be amended to provide for equal representation of the Greek and Turkish populations of Cyprus.

The rebuff to Greece in London will probably weaken the Rally government still further and increase maneuvering among the Rally's disparate factions. King Paul, who has been concerned over the government's lack of an effective leader during the prolonged illness of Prime Minister Papagos, may appoint a provisional prime minister and call for new general elections.

Acting Foreign Minister Kanellopoulos told the American chargé in Athens on 6 September that Turkish delegate Zorlu's "intolerable" press statements

in London had deeply wounded Greek national honor. If Greece were forced to accept Turkish views on Cyprus, Kanellopoulos said, his government would have to resign and might be replaced by one less well disposed toward the West.

Any Greek government will be committed in advance to pressing the appeal regarding Cyprus in the UN General Assembly. Greek anger at the anti-Greek outbreaks in Istanbul and Izmir on 6 September will probably be vented in intensified preparations for a bitter UN debate with Britain and Turkey over the Cyprus issue and in more open encouragement to the Cypriot Nationalists.

As a result of the Turkish riots, which revealed a deep religious antagonism toward the Greek Orthodox Church, the NATO Council was summoned to an unprecedented meeting on 8 September. Also, the Turkish Grand National Assembly has been called into a special session on 12 September.

Like the Greeks since the beginning of the London conference, the Turks appear willing to sacrifice the short-lived friendship between their two countries over the Cyprus issue. Both may now give free rein to the many divisive issues which have lately been submerged. NATO will have increased difficulty co-ordinating Greek and Turkish contributions to European defense, and the Balkan alliance will probably atrophy or be replaced by a Greek-Yugoslav entente.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 September 1955****FRENCH NORTH AFRICA**

French and Moroccan representatives have gone to Madagascar to consult deposed sultan Mohamed Ben Youssef, whose agreement is deemed essential to a settlement of the crisis in Morocco. In both Morocco and Algeria, new outbreaks of violence are probable.

Morocco: Uneasiness prevails in French Morocco with the approach of the 12 September deadline set by French premier Faure for a solution of the Moroccan issue. Although resident General Grandval has departed, there are no firm indications that Sultan Mohamed ben Arafa will have abdicated or been deposed by that date. There is considerable opposition in the French cabinet to the use of force to oust him.

Several delegations representing the French and Moroccan governments and nationalist groups have flown to Madagascar for consultations with former sultan Mohamed ben Youssef, who may go along with the general understanding reached between Faure and Moroccan nationalists. This understanding is reported to involve the replacement of Ben Arafa by a Council of the Throne, which would designate a "representative Moroccan government" to negotiate the nature and extent of Moroccan home rule. The French are also

committed to bringing Ben Youssef to France, presumably in mid-October.

Ben Youssef is reported to have demanded of the French delegation that France publicly admit his removal in 1953 was illegal and instruct French settlers in Morocco to cease counter-terrorist attacks.

An Istiqlal communiqué on 7 September protested the French government's "indecision, slowness and intransigence." A nationalist-directed general strike called for 12 September in Casablanca may create additional difficulties for France. The French military authorities also are reported to be disturbed by widespread consultation among the tribes of central Morocco. These contacts may presage further flare-ups such as occurred on 20 August at Oued Zem.

Algeria: Failure by the French authorities to capture any of the instigators of the 20 August attacks in the Philippeville-Constantine area contributes to the uneasiness throughout Algeria, where new disturbances are considered imminent. The conservative French press in Algeria continues to link the United States and Egypt with the "insurrection," and anti-Americanism is increasing.

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EGYPTIAN-ISRAELI SITUATION

The Egyptian-Israeli situation has improved since each country agreed on 4 September to UN Truce Supervisor Burns'

cease-fire proposal. While both countries are continuing on a reduced scale to build up border reinforcements, the area

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is likely to remain calm "in the immediate future."

A resolution sponsored by the United States, Britain, and France to consider the "cessation of hostilities and measures to prevent further incidents in the Gaza area" was approved by the UN Security Council on 8 September.

Egypt and Israel had taken the attitude that it was inadvisable for the Security Council to consider the Gaza problem at a time of quiet in the area. Israel fears that Security Coun-

cil action would result in an increase rather than a decrease in UN activities along the border.

Egyptian-Israeli meetings of the Mixed Armistice Commission were resumed on 5 September. At that time the Egyptian delegate reportedly said to the Israeli representative that "he did not exclude the possibility that the Gaza talks would be resumed." For the present, at least, both countries are trying to control border troops and avoid precipitating any incident.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 September 1955****PART II****NOTES AND COMMENTS****American-Chinese Talks**

The Chinese Communist announcement on 6 September that 12 Americans in China are or soon will be free to leave apparently was aimed at persuading the United States to drop its insistence on a deadline for the release of other detained Americans.

None of the 12 affected by Wang Ping-nan's announcement at Geneva had been under arrest, and most of them were expected to be among those who, according to Wang's earlier statements, would be released as soon as agreement had been reached on a repatriation formula. In jumping the gun, Wang almost certainly aimed at securing early American acceptance of the current draft formula, which provides for the return of Americans and Chinese "expeditiously" but does not state any deadline.

All of the 29 remaining Americans China admits detaining are in jail or under house arrest. They are charged with "crimes," and several are alleged to be "spies." Wang has insisted from the beginning that Peiping can "never" agree to a

deadline for completing the return of this group.

Peiping apparently intends to free a few more Americans immediately after agreement on a formula. In the absence of a deadline, however, it may be a long time before the last of the Americans gets out of China.

Contrary to his statements last week, Wang has again refused to accept an American wording which would explicitly restrict the Indian embassy in Washington to investigating the cases only of those Chinese who feel they are being prevented from returning. It seems likely, however, that Wang would agree to the restriction if the United States were not to insist on a deadline for repatriation.

The Chinese Communists want to get on to the second agenda item of "other practical matters." This desire might lead them to implement any repatriation agreement more rapidly and agreeably than the language itself would compel them to do.

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**USSR Noncommittal
On President's Blueprint Proposal**

Soviet delegate Sobolev has refrained from substantive comment on President Eisenhower's "blueprint" proposal, but has continued to remind the UN sub-committee on disarmament and the press that the USSR considers the proposal "important" and is studying it carefully. Sobolev's tactics apparently are aimed at

avoiding a commitment on the American plan, at least until the disarmament spotlight shifts to the meeting of the foreign ministers in October.

The Soviet delegate has declined to amplify for Western delegates the most important aspects of the USSR's 10 May

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proposals, particularly concerning inspection and control. Sobolev on one occasion insisted that the subcommittee should discuss "points of agreement" rather than points of divergence; again he suggested a "point-by-point" discussion of the Soviet proposal.

On 1 September, Sobolev attempted to get an affirmative reply from the subcommittee members to a series of questions that reflected "points of agreement" between the USSR and the West. He told the press afterwards that the questions had been asked "in the hope that the answers will give us the opportunity to register agreement on major points," after which the subcommittee could proceed "more expeditiously" to other matters.

According to the French delegate, Jules Moch, Sobolev stated on 28 August that the President's plan was "impractical" and that the subcommittee

must discuss the Soviet proposals. Moch personally doubts the USSR will even consider the President's plan unless it is part of a general disarmament scheme. He said the USSR would claim, as it has previously about American proposals for disclosure and verification, that the "blueprint" plan would constitute an espionage operation inside the USSR.

In the forthcoming negotiations, Sobolev probably will continue his efforts to get Western delegates to admit that there are areas of agreement between the USSR and the West in the Soviet proposal, while avoiding a commitment by the USSR on any other plan. Moscow probably hopes a report reflecting these "points of agreement" can be presented to the foreign ministers, suggesting that the subcommittee has made "progress." In Moscow's view, this would reflect a continuation of "the Geneva spirit" in the disarmament talks.

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Admission of New Members To the UN

Increased lobbying by Asian applicants for UN membership as well as cautiously optimistic statements of UN members has increased speculation that the five-year deadlock on admitting new members to the UN may be broken this fall. This speculation does not contemplate any change in the status of Chinese representation in the UN, a separate problem which may also be moving toward a new phase.

Last year's General Assembly called on the Security Council to report to the tenth session, opening on 20 September,

on the 21 pending membership applications. The USSR has vetoed the admission of 14 states--Austria, Cambodia, Ceylon, Finland, Ireland, Italy, Japan, Jordan, South Korea, Libya, Laos, Nepal, Portugal, and Vietnam. The Western majority in the Security Council has blocked the admission of the seven Soviet-sponsored candidates--Albania, Bulgaria, Hungary, Mongolia, North Korea, North Vietnam, and Rumania.

The Bandung communiqué issued at the Asian-African conference in April specifically

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endorsed UN membership for the following applicants: Cambodia, Ceylon, Japan, Jordan, Laos, Libya, Nepal, and "unified Vietnam."

According to the American embassy in Colombo, Prime Minister Kotelawala of Ceylon received a letter from Indian prime minister Nehru in July stating that the USSR had expressed willingness to support the admission of "all countries which are qualified." Nehru added that the USSR had mentioned other countries as well as those which were endorsed at the Bandung conference. The Soviet ambassador in Cairo had informed the Libyan ambassador that the USSR would support Libya for UN membership this fall, according to a 3 September report from the American embassy in Cairo.

The Japanese Foreign Ministry told the American embassy on 31 August that Australia is prepared to support Japan's admission either as part of a "package" or individually, and that it has also heard rumors that Canada would support a package arrangement.

In the USSR's various offers of support for individual countries' admission to the UN, Soviet representatives have given no indication that the

USSR has abandoned its insistence on a quid pro quo from the West. At the UN commemorative meeting in San Francisco, Molotov adhered to a typical package plan by proposing admission of six "peace treaty states"--Austria, Finland, Italy, Bulgaria, Hungary, and Rumania.

The Peruvian chairman of the UN Committee of Good Offices on the Admission of New Members has been promoting, apparently with some success, a compromise plan designed to meet both the West's insistence that each country must be judged on its own merits and the USSR's adamant stand in favor of a package. Under this plan, the Security Council would vote on each membership application separately, but the voting would be preceded by a "gentlemen's agreement" among the Big Four on which countries were to be considered.

When the Security Council considers the membership question this fall, the increased pressure of Asian applicants may lead to some arrangement whereby the deadlock on membership might be broken. Some Western UN members, including Britain, have argued that the UN would be better able to exert moral pressure on the Satellites if they were members of the organization.

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Yugoslav-Soviet Relations

The Yugoslav-Soviet agreements announced this week are the most concrete steps yet taken in the improvement of re-

lations between Belgrade and Moscow. The agreements call for Soviet credits and a marked expansion in trade, Soviet

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delivery of nuclear equipment, and the opening of a joint Belgrade-Moscow direct air service.

The economic agreements with the USSR go a long way in the direction of the pre-1948 pattern of Yugoslav trade, when half was with the East. Soviet-Yugoslav trade is to more than double to a total of \$70,000,000 annually for the three years starting next January. This would give the USSR approximately 12 percent of Yugoslav trade as compared to 18 percent in 1947, the last full trading year before Tito's expulsion from the Cominform.

Similar increases in Yugoslav-Satellite trade, however, will probably take longer. The Satellites cannot as readily as the USSR more than double their trade with Yugoslavia, since their over-all foreign trade is more limited. For its part, Belgrade has only a limited quantity of uncommitted exports. Hence Yugoslavia's trade with the East is not likely to go above 30 percent of all its foreign trade in 1956.

The Yugoslavs appear well satisfied with the 10-year, 2-percent credits they received from the USSR. Up to a third of the credit for \$54,000,000 can be drawn in each of the three years starting in 1956 for purchase of certain Soviet raw materials, apparently mainly coking coal and cotton. Another

credit for \$30,000,000 in gold or convertible currency will greatly increase Yugoslavia's depleted currency reserves. Vice President Vukmanovic-Tempo claims these loans will keep Yugoslavia from being forced to obtain short-term loans elsewhere at high interest rates.

Yugoslavia also obtained Soviet credits for planning, building, and equipping two artificial fertilizer plant complexes, and rehabilitating three small mines. Vukmanovic indicated the Yugoslavs might later take up Soviet offers for partial financing of other plants.

The American embassy in Moscow speculates that there may have been some discussion of the idea of Yugoslav production of Soviet aircraft under a licensing arrangement, although there has been no specific reference to such.

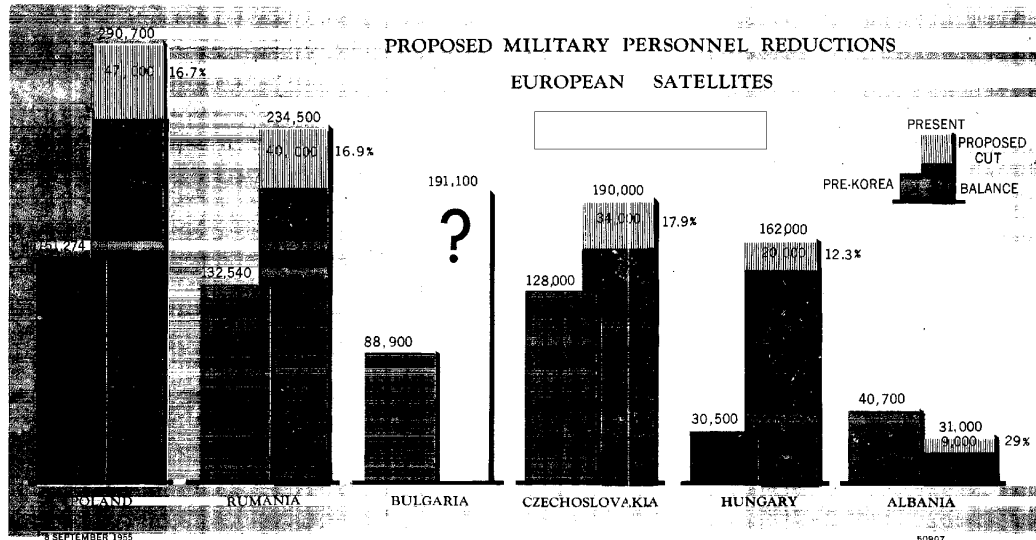
The air agreement permitting Yugoslav flights to Moscow and the agreement enabling Yugoslavia to purchase an atomic reactor, a cyclotron, and other nuclear research equipment are the first such Soviet agreements with a non-Orbit nation. Nothing indicates that Belgrade agreed to ship atomic raw materials to the USSR in exchange for this assistance. The Yugoslavs probably do not have sufficient quantities of such materials to export them and still develop a domestic research program. (Concurred in by OSI and ORR) 25X1

Military Significance Of Satellite Troop Reductions

Five of the East European Satellites now have announced plans for reductions in their armed forces commensurate with the Soviet plan for a 640,000-man reduction announced on 13

August. Only Bulgaria has yet to be heard from. These reductions are designed to give substance to the USSR's disarmament campaign. Over-all Communist military capability is not likely to be materially impaired.

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The reduction of personnel in Rumania and Poland will not weaken seriously the capabilities of existing units. The combat effectiveness of the Czech and Hungarian armies will be reduced, however, as the present balance of forces probably cannot be sustained. To a lesser extent Bulgaria would face the same problem in reducing its forces. Albania, whose strength is negligible, has announced plans for a reduction of 29 percent, as compared to the reductions of 12 to 18 percent planned by the others.

The Satellites could adopt many measures aimed at maintain-

ing military preparedness despite these cuts. Initial reductions could be implemented by cutting the size or number of classes now held in service, with the resulting loss offset by creating cadre units and transferring to civilian groups such military functions as military construction, operation of depots, hospitals, and transportation facilities. While some military units could be maintained at present strengths, others could be reduced to cadres whose units could be brought to full strength in a matter of days. In addition, facilities for military training outside of the armed forces could be expanded.

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Peiping to Grant Sinkiang
And Tibet "Autonomy"

Peiping has announced that its remote northwestern province of Sinkiang will be established as an "autonomous region" this month. It has also reported that Tibet is being readied for "autonomy," but Chinese plans

there apparently envisage a further period of preparation and Communist consolidation.

Sinkiang, which is approximately one third the size of the United States, is to be

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proclaimed "autonomous" at a provincial congress beginning 20 September. Only 5 percent of its approximately 5,000,000 inhabitants are of Chinese origin. The rest are ethnically related to the Turkic peoples of Russian Central Asia and are predominantly Moslems. Seventy-five percent of these are Uighurs.

The new region will be set up on a provincial level and will include under its jurisdiction the dozen or more local minority districts already established. All of Peiping's "autonomous" areas are defined as being "inseparable" parts of China proper.

Peiping also is laying the groundwork for Tibetan "autonomy" despite persistent rumors of local unrest and open opposition to Communist policies. The reports of unrest appear to be exaggerated both as to the extent of dissidence and to its threat to Chinese forces there.

Peiping's proposals last March for the formation of a

* "Regional autonomy provides the opportunity of utilizing the natural wealth of the region and of developing its productive forces in the best possible way without await-

Preparatory Committee for the Tibetan Autonomous Region by-passed the usual prerequisites of a Chinese type of government organization and land reform. Improved access to Tibet over two new roads from China to Lhasa and the probably successful indoctrination of the youthful Dalai Lama while he was in Peiping may have made such short cuts possible. Peiping does not proclaim an area "autonomous" until military and political control have been made certain.

Peiping may have reasoned that "autonomy" for Tibet would reduce both Tibetan resentment of Chinese control and Indian concern over Communist penetration of the Himalayas. Peiping has not indicated when "autonomy" will be proclaimed.

The terms of the Chinese proposals indicate that the traditional Kham area of Tibet, which until recently was a part of the Chinese province of Sikang, will be returned to the control of Lhasa. This would seem to be another bid for Tibetan co-operation. 25X1

ing the decisions of a common center." 25X1
--J. V. Stalin, Marxism and the National Question.

Crop Prospects In Communist China

As a result of favorable weather conditions this past summer, prospects are that Peiping will attain its 1955 food production target of an increase of 6.4 percent over 1954. Communist China's long-range agricultural prospects, however, continue poor.

Although crops harvested in June were only fair, primarily because of drought in the winter and spring, Peiping

claims that bumper fall harvests are in sight. The fall harvests normally account for more than 70 percent of annual food production. Most of the anticipated rise in food output this year will, however, merely make up for losses suffered as a result of the severe 1954 floods.

Peasants and most urban residents will probably benefit little from an increase in food production. The new extension

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of rationing which Peiping announced recently is expected to hold down food consumption. Rationing, which was first instituted on a selective basis in November 1953, now is to be extended to cover all staple foods consumed by the urban population of 100,000,000. Separate measures are being taken to reduce supplies to rural areas.

If the fall harvests meet expectations, the regime should be able to supply enough food to most of the population to meet its low consumption standards, maintain exports, increase the standard of living of the growing numbers of favored industrial workers, and establish some grain reserves, which Peiping has said are needed "to cope with a possible imperialist war of aggression or a possible big famine."

Past agricultural failures have prevented the regime from building up large food reserves. As a result of the poor 1954 harvest, Peiping has had difficulty in acquiring enough food

for its more important needs in the face of widespread food shortages and the "tension" which it admits developed in rural areas over the government's grain buying and selling policies.

Recently released official figures on state procurement and distribution of food suggest that the reserves planned will be small, perhaps five percent of annual food production. In the USSR, grain reserves are usually maintained at about 20 percent of annual production.

The long-range prospects for agriculture in Communist China are poor, as the regime has decided to concentrate its limited investment funds in industry and the military modernization program rather than in agriculture. As a result of these policies, there will probably be no significant increase in per capita food consumption over the next decade.

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25X1**Cambodia**

Prince Sihanouk's popularity, the popular appeal of his Sangkum Reastr Niyum (SRN) movement, and the prince's influence over the government's administrative and security machinery make likely a victory for his supporters in Cambodia's parliamentary elections on 11 September. The SRN is, nevertheless, a new and unknown factor in Cambodian politics and the intelligentsia, including most of the influential Buddhist priests, oppose its program. Moreover, the Democratic Party--now the chief opposition--won a large and unexpected victory in Cambodia's last elections four years ago.

The last parliament was indefinitely recessed in January 1953. Only the SRN and the Democrats have candidates in all 91 constituencies. The Communists have entered 35 candidates in the campaign and are expected to draw support from moderate Democrats, thus enhancing SRN prospects.

The fundamental issue in the campaign is Prince Sihanouk's effort to substitute royal absolutism for constitutional monarchy. The failure of the International Control Commission to find against the US-Cambodian military aid agreement prevented the Democrats from making it a major electoral issue.

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Despite government harassment, opposition candidates have been able to campaign actively. The Indian chairman of the commission has stated that he is agreeably surprised at the relative absence of flagrant suppression of civil liberties during the campaign.

In the event of an SRN victory, there would probably be little change in foreign policy. Cambodia would follow a vaguely "neutralist" line tempered by a highly apprehensive appreciation of Vietnamese and Chinese Communist expansionist aims. It would look to the West, particularly the United States, for the economic and military aid necessary to maintain its independence.

Domestically, the SRN could be expected to implement Prince Sihanouk's constitutional reforms abolishing political parties, limiting the role of parliament and centering power in the throne.

If the elections do not give the movement the three-fourths majority necessary for constitutional revision in the elections, the SRN could probably bribe, intimidate or persuade enough of the opposition to carry through its program. Since Cambodia's elite oppose royal absolutism and would be alienated from the government and the throne following passage of the reforms, long-term political and social frictions would be the result of such a course.

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Afghan-Pakistani Dispute Settled

Pakistan and Afghanistan have agreed to settle their five-month-old quarrel on terms indicating a return to the situation existing before the 30 March incidents, according to the Pakistani ambassador in Kabul.

Afghan foreign minister Naim is to raise the Pakistani flag at the embassy in Kabul on 10 September. At the same time, he will assure the future safety of Pakistani lives and property in Afghanistan and state his government's intention to avoid all propaganda breeding hatred or inciting violence.

The Pakistani flag will be raised at the consulate in Jelalabad on 11 September, and a Pakistani cabinet minister will raise the Afghan flag at the consulate in Peshawar on 12 September.

Afghan consulates in Pakistan will be reopened, and the Pakistani blockade of Afghanistan will be lifted immediately after the flag ceremonies. Preparations for the Kabul ceremony are already under way.

Both countries made concessions to obtain settlement. Afghan prime minister Daud, whose militant support for an independent state of Pushtoonistan touched off the quarrel, remains in office but has had to accept restrictions on Afghan policy toward Pushtoonistan. Pakistan gives up the idea of forcing Daud's removal and total abandonment of Pushtoonistan.

With reopening of normal trade routes through Pakistan, Afghanistan's recently expanding economic contacts with the USSR may be expected to receive less

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emphasis. The Pushtoonistan issue which is at the base of the whole quarrel remains unresolved, however, and, after an initial

period of improved relations, will continue to make establishment of permanent friendly relations between the two countries difficult.

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The Labor Situation in Chile

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Relative calm prevails in Chile following the suspension on 3 September of strikes involving 50,000 government employees and of a general strike call for 5 September. The back-to-work movement is a clear victory for President Ibanez' administration and a severe setback for extremist elements in labor, including the Communists.

Even though the strikers have returned to work, Ibanez has said that his administration still needs the emergency

powers requested of Congress at the outset of the strike because the strike was merely "suspended." Press reports dated 7 September indicate that congress will give him these powers.

Labor unrest in Chile may be expected to continue, however, as long as the country's inflation, which has caused a 270-percent increase in the cost of living over the past three years, remains uncontrolled.

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PART III

PATTERNS AND PERSPECTIVESMOSCOW'S EUROPEAN POLICY ON EVE OF ADENAUER VISIT

The foremost short-term objective of Soviet diplomacy since the summit conference has been to maintain the status quo in Europe. The underlying long-term strategy is the same which impelled the Soviet leaders to go to Geneva: to create favorable conditions leading to basic shifts in public sentiment and policies in the non-Communist world and thus to reopen the way for the attainment of fundamental Soviet objectives in Europe.

The main tactic in Moscow's diplomacy is to convince the non-Communist world that the threat of Soviet military aggression had evaporated. This would deprive the Western alliance of its most powerful unifying and motivating force and encourage divergent interests and policies within the alliance.

Split West Germany and West

The most pressing task of this diplomacy is to halt the trend toward the incorporation of a sovereign and rearmed West Germany into the Western alliance. The USSR has developed a far-reaching program to this end with extraordinary speed and resourcefulness. The Soviet leaders appear to have recognized that the initial success of Chancellor Adenauer's policies were largely due to cold war tensions. They were faced with the disturbing possibility that West Germany would eventually be in a position to bring the increasingly formidable weight of the Western alliance to bear in an attempt to induce the USSR to withdraw from East Germany, leaving a reunified Germany solidly within NATO. Moscow chose to bring about a general East-West detente before West Germany could rearm as the most effective way of forestalling such a development.

The Soviet leaders probably hope that a detente will generate the belief in Western Europe that a rearmed West Germany is no longer an indispensable forward bastion against a hostile Soviet bloc.

The aim of this aspect of Soviet policy was indicated by East German president Grotewohl's remark on 12 August that the Geneva conference "has shattered Adenauer's concept." Moscow may also estimate that in an atmosphere of detente, West Germany could become, with Soviet encouragement, a source of dissension and weakness in the Western alliance.

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Approach to German Problem

Moscow has been developing an intricate line of argument on the key German question designed to mask the USSR's vulnerable position in the face of Western insistence that free elections be adopted as the principal device for reunifying Germany. According to the Soviet thesis, West Germany's entry into NATO and WEU and East Germany's entry into the Warsaw pact system have created a new situation in which the Eden plan for a "mechanical fusion" of the two parts of Germany is no longer possible or realistic.

The German problem, Moscow contends, cannot be settled separately from the critical issues of European security and disarmament. Moreover, the

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settlement of all these questions depends largely on the creation of confidence between states.

This intricate approach is clearly calculated to allow the USSR to play for time without losing the initiative and credit it has gained from its actions and gestures toward establishing an East-West detente.

The passage of time, Moscow leaders hope, will bring a powerful upsurge in West German restiveness and opposition to Adenauer's policies as the best means of achieving reunification. Moscow appears to anticipate that these trends will progressively weaken Adenauer's position, arouse apprehensions and suspicion of West German aims throughout Western Europe, and disrupt military planning within WEU and NATO.

Moscow will do all in its power to encourage the West Germans to believe that their best course lies in the direction of a "third force" between the two blocs and that this position as a fulcrum of the East-West balance of power will bring profitable rewards in terms of restored power and prestige. The Soviet aim, in short, is to neutralize West Germany, politically, without undertaking any binding commitments on reunification or a final German settlement.

Aims for Adenauer Visit

With these objectives and tactics in mind, it seems unlikely that the Soviet leaders are preparing any great surprises for Chancellor Adenauer in Moscow.

They appear to have two principal aims in these talks. First, they want to prepare the ground for eventual agreement on the establishment of diplomatic relations between the USSR and West Germany as a major step

toward the legalization of the division of Germany and recognition of the East German regime as a sovereign government. Second, they want to use these talks as a forum from which to address appeals to the West German public over Adenauer's head in an effort to discredit his policies by making them appear responsible for the continued partition.

Diplomatic Relations: The Soviet negotiators' formal positions will probably follow closely Bulganin's presentation at Geneva. The keynote of their case will be that the establishment of diplomatic, economic and cultural relations will mark an important step toward reunification and that the USSR, by inviting Adenauer and offering to establish normal relations without preliminary conditions of any kind, is doing its part toward bringing about a rapprochement between the two parts of Germany, which Bulganin at Geneva described as "our primary duty."

German Unification: The Soviet leaders are likely to concentrate on two major themes.

The first will be that a European security system provides the best and only framework for the eventual reunification of Germany and that the establishment of diplomatic relations between the USSR and the Federal Republic will open the way for Bonn's participation in any limited security pact that may be concluded in future conferences.

Second, the Soviet leaders will insist that a rapprochement between the two German governments is an essential part of the unification process. They are unlikely to insist on West German recognition of the East German regime as a condition for the establishment of diplomatic relations, but they will certainly urge Adenauer to join

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the East Germans in formulating an all-German position for submission to the foreign ministers' conference in October.

It appears likely that Moscow is prepared to release at least some of the German prisoners of war still in the USSR, but it will reject any West German attempt to treat this as a condition for the establishment of diplomatic relations. The Soviet government may move to deprive Adenauer of this bargaining point by informing him that the question has already been settled with the East Germans. An East German delegation which returned from Moscow on 20 August reportedly discussed this subject with Soviet leaders. Whatever form the release may take, Moscow will ensure that the East Germans gain the greatest credit and prestige from obtaining it.

Economic and Cultural Relations: In the field of economic relations, prospects for a resumption of the prewar trade pattern between Germany and the USSR are poor chiefly because of the Soviet bloc's unwillingness to change its policies of self-sufficiency and forced industrialization which have been primarily responsible for the postwar decline in East-West European trade. However, the Soviet negotiators will probably claim there are favorable long-term prospects of greatly expanded trade and may make some attractive offers designed to have an immediate impact among West German business circles. French officials last spring expressed fear that the USSR might be preparing to switch trade and ship construction contracts from France to West Germany. Soviet trade officials have hinted to the French that the USSR is now more interested in obtaining German ships.

In the cultural field, the Soviet leaders can point to the

visit last spring of West German newspapermen and the recent trip to Moscow of a large contingent of both East and West Germans to attend the Soviet-West German soccer match. The Soviet press has played up these visits as an important contribution to the establishment of ties between the "working class" of the USSR and West Germany.

Tactics at October Conference

The Soviet leaders probably hope to obtain at least preliminary understandings with Adenauer on the establishment of diplomatic, economic and cultural relations which can be used to buttress the Soviet position at the foreign ministers' conference in October. At that conference, the USSR will use the prospect of formal relations and recognition of the Bonn government to support its thesis that the first step toward settlement of the German problem is to create a European collective security system with the participation of both parts of Germany.

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The Soviet delegation at the October conference will therefore probably attempt to avoid any precise commitments on reunification but will show willingness to compromise in order to reach agreement on European security. The Soviet ambassador in Paris recently told the Greek ambassador that the October conference would be long and difficult, but that progress might be made on subjects other than German reunification.

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The Soviet government appears to regard the conclusion of even a limited European security pact as of decisive importance to the success of its detente strategy. Molotov can be expected to press strongly for Western acceptance of Bulganin's summit conference proposal for a nonaggression treaty between existing "military groupings"--NATO and the Warsaw pact powers--which would remain in force for a temporary period. Soviet spokesmen have been at pains to show readiness to consider Western security proposals, particularly the Eden plan for a great power pact.

While Moscow may show readiness to make important concessions in order to arrange a limited European security pact which would leave NATO and the Warsaw pact in force, it would still continue to insist on the necessity of moving on at a later date to the creation of an all-European collective security system. The USSR

would not renounce this demand, because it appears to regard the all-European security system, which would replace NATO, WEU and the Warsaw pact, as its most effective device for building up strong psychological pressures on Western governments for eventual changes in their policies toward the Sino-Soviet bloc.

Soviet diplomacy since the summit conference thus presents a pattern of two different levels of activity--Soviet-West German and East-West German relations on the one hand against the background of an extended series of great-power conferences. The Soviet leaders probably envisage these two levels as exerting interacting pressures and influences, but it is on the level of Soviet-West German and East-West German negotiations that they appear to anticipate the most decisive advantages and developments.

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THE SOVIET STAKE IN EAST GERMANY

Since the Communists realize they will probably not be able to dominate a united Germany, the USSR is likely to continue to hold on to East Germany. Not only is East Germany a valuable military and economic asset, but Soviet spokesmen have indicated repeatedly that Moscow believes the continued division of Germany is the surest guarantee against the rise of a military threat to the Soviet bloc based on German manpower, industry and energy.

The Military Stake

East Germany, by virtue of its geographical location astride the great European plain, has inherent strategic value to the USSR for both offensive and defensive purposes. Although the Soviet army of occupation would require reinforcement to carry out decisive offensive operations against Western Europe, Soviet troops now located in East Germany could constitute an initial striking force for such an

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offensive. Soviet capabilities in this regard are increasing. The 400,000-man Soviet army there is being reorganized and re-equipped to increase its fire-power and mobility.

Soviet tactical bombers now based in East Germany could range over most of the continent and most of the British Isles. The USSR has constructed over 30 major airfields in East Germany since World War II--half of them capable of sustained operations by heavy and medium bombers, making this area one of the four or five potential Soviet staging areas for bombing operations against North America.

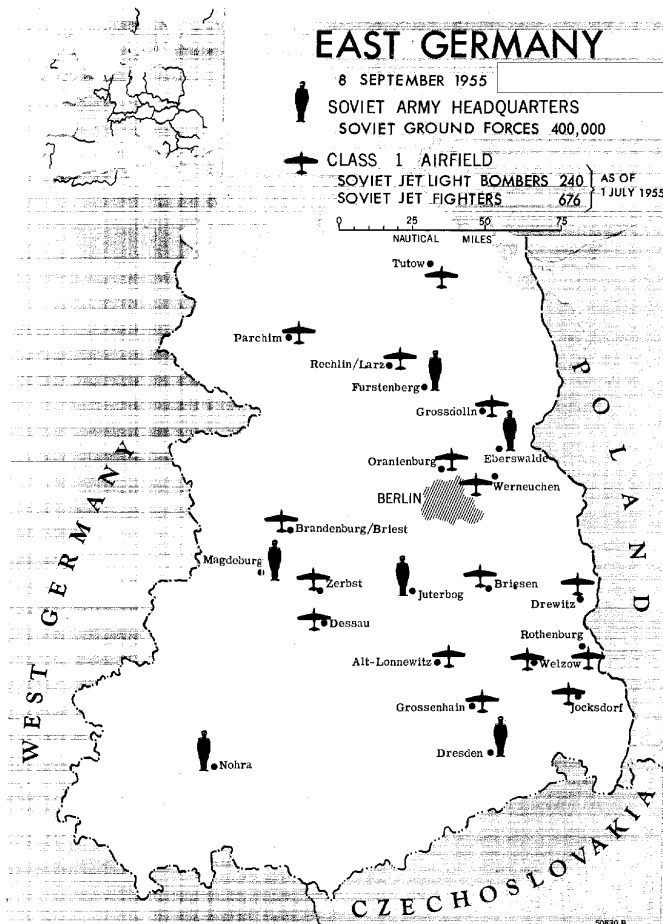
The principal mission of the Soviet air army in Germany is tactical support of the ground forces. This capability has increased with the arrival of improved interceptor aircraft, the beginning of the jet re-equipment of ground-attack units, and the recent doubling of jet light bomber strength. Soviet jet fighter units in East Germany also augment bloc air defense capabilities in Eastern Europe.

The Economic Stake

From the economic point of view, East Germany is a valuable asset to the USSR. East Germany's trade turnover with the rest of the bloc in 1953, the last year for which figures are available, was \$1.5 billion, of which \$915,000,000 was with the USSR. East Germany had a

trade deficit of over \$80,000,000 with the USSR, probably because some of its purchases were made out of a \$121,250,000 Soviet loan granted in August of 1953. Since the East German economy is predominantly industrial, its exports consist of capital equipment, precision goods, transportation equipment of all types, synthetic fuel, uranium ore, and chemicals, in return for which it receives foodstuffs, raw materials, and semifinished goods.

Although East Germany's import requirements, particularly of foodstuffs, place some strain on its suppliers within the bloc, its exports



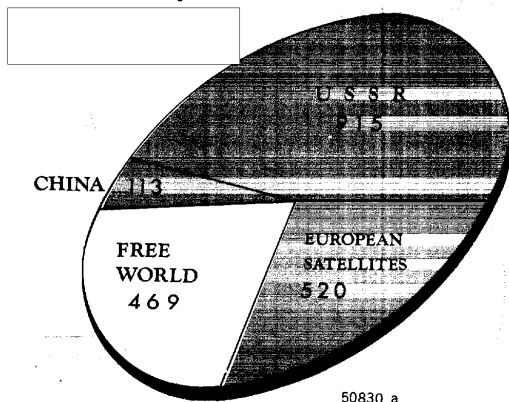
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EAST GERMANY
TOTAL FOREIGN TRADE TURNOVER 1953
 2,017 MILLION DOLLARS
 (all figures are millions of dollars)



discriminatory pricing reportedly used in Soviet-East German trade, and East German support of Soviet occupation troops would end with reunification. 25X1

of over \$500,000,000 worth of industrial equipment each year more than offset this strain, as much of this equipment could not be obtained elsewhere in the bloc in sufficient quantities. Therefore, if the USSR were to agree to German unification, it would probably require the Germans to sign long-term contracts to supply such goods. This would not be at all disagreeable to the Germans, as they have always desired to expand their Eastern markets, and any sudden loss of Soviet orders would result in widespread unemployment in East Germany.

The USSR would be almost certain to insist on retaining control of the East German uranium mines if German unification were to take place. These mines account for approximately 50 percent of bloc supplies, and it is estimated that they will continue to produce at the present level of output through 1960, but at an increasing cost per unit of uranium due to depletion of the richer veins.

Continued occupation of East Germany gives the USSR certain economic advantages it would not enjoy in relations with an independent state. The

The last 33 of the original 200 Soviet-owned corporations in East Germany were returned to German ownership ostensibly without compensation on 1 January 1954. 25X1

The economic cost of German reunification to the USSR would not end with the above listed items, however, for the USSR would lose control of a steadily growing economy which can make larger contributions in the future than it does at present. The USSR could, of course, purchase many of the industrial goods available in East Germany from a reunited Germany, although the export of strategic goods would probably be restricted. The USSR would, however, have to deal with an independent country, and would no longer be able to order goods at discriminatory prices and demand delivery on its own schedules. 25X1

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Communists and Socialists," and that the Socialist Party is too closely tied up "with the broad masses of the working people to renounce its political origins" and "commit suicide" by breaking with the Communists.

The question of Nenni's price for co-operation with the government is being widely discussed. Some Italians continue to believe that Nenni's overtures to the Christian Democrats are part of a Communist plan to control the government through him. Some of these, however, feel the Communists are showing signs of unease over the possibility that Nenni's pseudo independence might increase his popular prestige to such an extent that he would eventually feel strong enough to make a genuine break away from them. Many Italians feel it has been politically necessary for Nenni to continue his public insistence that he is maintaining the unity-of-action pact with the Communists until he is sure the bulk of his present supporters will follow him into a new alignment.

To the question of whether Nenni would be acting in good faith or as a Communist stooge, they cite his desire to be on the winning side, apparently the basis of his successive switches from the Fascist to

the Republican Party, and then to the Socialist Party. They also point to the practical success of his postwar association with the Communists, as contrasted with the fate of the Social Democrats, who left his party in protest against Communist domination and have steadily lost ground because of their subservience to the Christian Democrats.

Nenni announced on 30 June that "the existence of the Atlantic and European military pacts does not prevent the Italian Socialist Party from supporting a government which fundamentally obligates itself to a policy of lessening international tensions."

Many Italians feel that the real test of the Nenni Socialists' intentions will be their performance in parliament over the next year. In any case the outcome of the next general elections, in which both the Socialists and the Christian Democrats are expected to gain, should determine the direction both parties will take.

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Within the Socialist Party, sharp differences have emerged between the pro-Communist and "autonomous" factions. This was particularly evident at the Socialists' national congress at Turin in March, which resulted in a decision by the party leadership to seek an "understanding" with the Christian Democratic leadership.

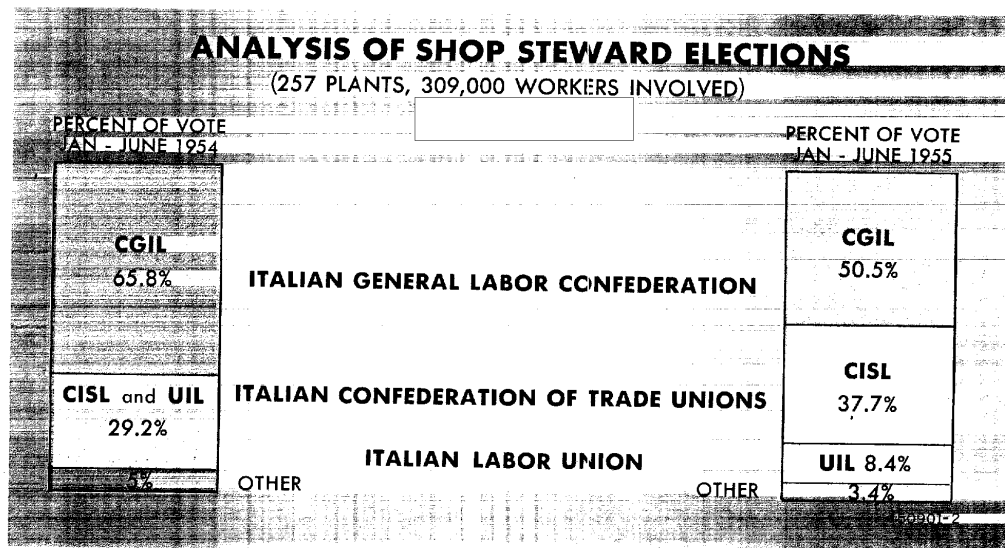
Various feelers have followed. In May the Nenni Socialist newspaper Avanti! published a statement by the party directorate and later one by Nenni himself which, in contrast with earlier and more general statements, named specific socio-economic reform measures on the basis of which his party would collaborate with the Christian Democrats.

In July, the Nenni Socialists' central committee adopted a resolution urging the party's organizations "to widen and deepen their relations with the Catholic masses."

The government-controlled news agency, ANSA, which has for years maintained that the Communists and Nenni Socialists are one and the same thing, came out on 27 July with a commentary headlined, "Gulf between Communists and Nenni widens." ANSA said that the meeting of the Communist Party's central committee in Rome several days before had left the impression that the Communists were trying to appropriate the "opening to the left" slogan. It added that the Communists "obviously fear that should 'Operation Nenni' succeed, the Communist Party would find itself even more isolated."

Communist deputy chief Longo had declared at the central committee meeting that the formula for the move to the left was not a recent one, but had been suggested by Togliatti in 1954. Longo said there could be "no differences between

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Democratic rapprochement based on moves by Nenni away from the Communists--was "in full swing." He predicted that Nenni, who "has no intention of sharing the political starvation" of the Communists, will either vote for or abstain on the Segni government's programs for about a year, with the idea of securing a place in the government.

The director of Turin's important *Stampa* told an American official on 16 July that "the remaining danger is that Nenni will not be helped to divorce himself from the Communists and will be driven back, making possible a popular front."

Socialist-Communist Differences

Developing friction between the Nenni Socialists and the Communists is apparent in both the political and labor fields. According to a spokesman for the Sicilian Separatist movement, the Socialists' decision to run on a separate list in the June elections had been opposed by the Communists.

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Abstention of the Nenni Socialists in the July balloting for the president of the Sicilian regional assembly permitted the Christian Democratic candidate to win despite the opposition of the Communists, Monarchists and neo-Fascists. Thus for the first time in eight years the Christian Democrats did not rely on the support of the rightist parties in Sicily.

In the vote of confidence for the Segni government on 18 July, some 20 of the Nenni Socialist deputies reportedly left the chamber in order to provide the Christian Democrats with a larger victory.

A long-standing source of friction between Communists and Nenni Socialists has been the Communists' emphasis on the political rather than the labor problems of the Italian General Confederation of Labor. This has had repercussions in shop steward elections and in the failure of such strike efforts as the one in Genoa last winter.

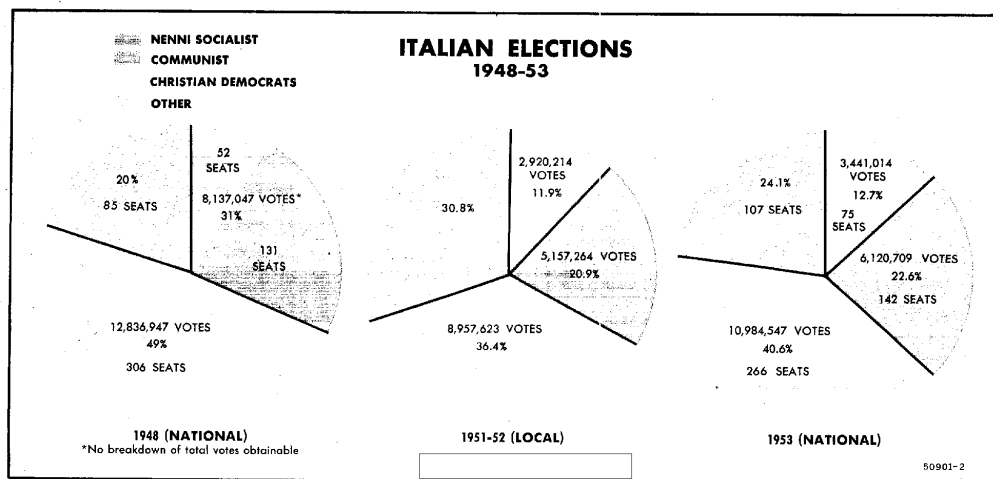
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international detente and from domestic developments. The relaxation of tension may have increased intraparty friction between supporters of party leader Togliatti's conciliatory policies and the militant group led by Secchia. In addition, although the Communists are trying to exploit it to win votes, the detente may have influenced some who voted Communist for fear of reprisals. Meanwhile, as more voters are beginning to benefit from Italy's

previous practice in Sicily ran separate from the Communists in this year's elections, gained more than the Communists lost, so that the left bloc's share of the vote was higher than in 1951. Other elections since 1948 have shown a steady rise in the Nenni Socialists' polling power. The current relaxation of world tension, moreover, which Nenni has championed, tends to boost his prospects.



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economic improvement, fewer are interested in Communism.

The Communists have suffered further attrition from the fact that even though they and their Nenni Socialist allies have polled more than one third of the popular vote, they have no voice in the government and have even been unable to block important government legislation, such as ratification of NATO and the Paris agreements.

Nenni Socialist Rise

Evidence of the changing balance of power on the left was provided by the Sicilian election results. The Nenni Socialists, who contrary to

It now appears that certain financial interests are jumping off the Communists' bandwagon and jumping on the Nenni Socialists'. The president of the Fiat firm, for example, although he is doubtful of Nenni's own motives, has told American embassy officials he is willing to give money to win Nenni's following over to the democratic side.

The independent press, too, appears increasingly interested in the Nenni Socialists as a possible anti-Communist force. The director of the influential Milan newspaper Corriere told an American official on 12 July that "Operation Nenni"--that is, an effort to achieve a Nenni Socialist-Christian

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NENNI SOCIALISTS IMPROVING POSITION IN ITALY

The steady gains in power and prestige of Pietro Nenni's Italian Socialist Party are arousing increasing speculation among leading Italians as to the possibility of an eventual genuine split between Nenni and the Communists. Communist leaders, aware that their own party is in a period of relative decline, seem somewhat uneasy over the prospect that they may lose control of their old Socialist allies.

Leading Christian Democrats, while firmly rejecting collaboration with any party connected with the Communists, now are weighing the attractions of an eventual government "opening to the left"--that is, a working alliance with Nenni which would permit a Christian Democratic government to control parliament with the support of the Socialists. The fall of premier Scelba in June 1955 and the difficulties encountered in forming the Segni cabinet demonstrated the weakness of a government formula which requires the Christian

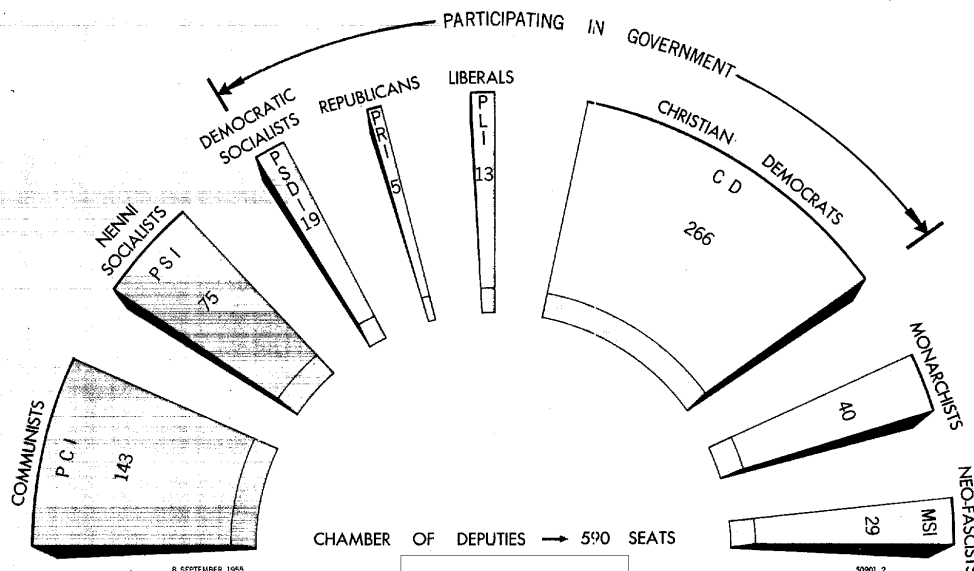
Democrats to rely for support on the steadily declining smaller center parties. Many observers believe that in the next general elections, which may be held in 1956, the small center parties will virtually disappear.

The Communist Decline

There are a number of indications that the Communists are losing ground in Italy. In the important Sicilian elections in June, for example, the Communists polled fewer votes than in 1951. They have also generally shown losses in shop steward elections throughout Italy over the past year, partly as a result of management's switch from conciliating the strong Communist labor confederation to bringing pressure on Communist employees in firms seeking offshore procurement contracts. The circulation of the Communists' newspaper, L'Unita, has fallen off by about 25 percent since 1954.

The Communists' losses probably result both from the

ITALIAN CHAMBER OF DEPUTIES



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